Interest rates are market driven and before bringing any change, the following facts are generally kept in view by Banks:—

(a) General credit off-take in the banks

(b) Bank's experience in managing loans

(c) Bank's liquidity position

(d) RBI Policy

(e) Prevailing interest rates within the banking system

(f) Prevailing rate of inflation

(g) Cost of funds.

Revision in oil prices

*552. SHRIMATI S. G. INDIRA:
SHRI S. ANBALAGAN:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that the international crude oil price has reached 75 US Dollar a barrel recently;

(b) if so, the details thereof;

(c) whether Government are considering to revise or increase the oil prices in view of this development; and

(d) if so, the details thereof?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA): (a) and (b) Global prices of crude oil and petroleum products have been making new highs in the past two years. The international prices continue to spiral upwards unabated with Indian basket of crude oil having touched an all-time high of $71.13 pc bbl on 2nd May 2006. This steep increase in prices is having a major impact on the Oil Marketing Compaines (OMCs) and the Indian economy, as we import about 76 percent of our crude oil requirement. The trend of increase in the international crude oil prices is tabulated below:

The trend of increase in international prices is given below:

	Crude oil (Indian Basket) $/bbl
2004-05	39.21
2005-06	55.72
2006-07 (upto 15/5/06)	67.63

(c) and (d) Notwithstanding the steep rise in international prices of sensitive petroleum products, Oil marketing Companies were modulating the price increase in petrol & diesel also besides maintaining the prices of subsidized products like domestic LPG & PDS Kerosene, in consultation with the Government. In consequence, they have suffered heavy under-recoveries on sale of these products. Therefore, Government, in June 2004, elucidated the principles which would govern its policy of containing the burden of increase in international prices on consumers of these sensitive petroleum products. It was decided that the burden should be equitably shared by consumers, the Government and the oil companies. Accordingly, from 2003-04 onwards, Government introduced the subsidy sharing mechanism by which, after taking into account the subsidy provided for from the fiscal budget, the balance is shared by the upstream and the downstream companies equitably. During the financial year 2005-06, in addition to the subsidy, Government issued interest-bearing oil bonds worth Rs. 11,500 crores to oil marketing companies for losses suffered by them in marketing sensitive petroleum products.

In order to formulate a long-term pricing policy in respect of petroleum products, the Government had constituted an Inter-Ministerial Committee under the Chairmanship of Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister to examine different aspects of pricing and taxation of petroleum products with a view to stabilizing/rationalizing their prices, keeping in view the financial position of the oil companies, the investment needed in the sector, the need to conserve petroleum products, and establishing a transparent mechanism for the autonomous adjustment of prices by the oil companies. The Committee submitted its report on 17.2.2006. The report of the Committee is being examined by Government. Government is also closely monitoring the prices of sensitive petroleum products.